CONTROLLED GROUP / AFFILIATED SERVICE GROUP OUTLINE

Nothing contained herein is intended to be used as or be construed as tax advice. This summary is provided as a helpful reference, but is not a thorough interpretation of the Internal Revenue Code or Regulations. You should consult your legal or tax advisor to determine your final response. Failure to correctly determine your status may affect IRS qualification of your Plan. Please note that this determination may impact the information reported for your Qualified Plan and your Tax Return.

CONTROLLED GROUP DETERMINATION

Why is this important?
All Employers of a controlled group of corporations or commonly controlled group of businesses may have to be treated as a single Employer for most, if not all, Plan purposes.

Types of controlled groups:
A controlled group of corporations or a commonly controlled group of businesses may have a parent-subsidiary relationship or a brother-sister relationship.

Parent-Subsidiary Relationship
• One or more corporations connected through stock ownership to a common parent organization;
• The Parent must own at least 80% of the voting stock or 80% of the value of stock of at least one of the other members of the group;
• If more than one corporation is involved, at least 80% of the voting stock or 80% of the value of stock of each business (other than the Parent) must be owned by another member of the group.

Example #1: X Corporation owns 80% of the shares of Y Corporation. X Corporation is the Parent of Y Corporation. Therefore, a controlled group exists with X and Y.

Example #2: Y Corporation also owns 80% of the shares of Z Corporation. Therefore, X Corporation is the common Parent of both Y and Z Corporations. A controlled group exists with X, Y and Z.

Brother-Sister Relationship
Two or more organizations in which the same 5 or fewer individuals, estates or trusts own, directly or indirectly:
• at least 80% of the voting stock or the value of the stock (called “controlling interest”) AND
• more than 50% of the voting stock or value of the stock (called “effective control”) considering only identical stock ownership.

Example #1: The stock ownership of A, B, and C Corporations is owned by the following unrelated persons, Harry, Jane and Tom:

<table>
<thead>
<tr>
<th></th>
<th>A Corp.</th>
<th>B Corp.</th>
<th>C Corp.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Harry</td>
<td>65%</td>
<td>40%</td>
<td>55%</td>
</tr>
<tr>
<td>Jane</td>
<td>35%</td>
<td>60%</td>
<td>0%</td>
</tr>
<tr>
<td>Tom</td>
<td>0%</td>
<td>0%</td>
<td>45%</td>
</tr>
</tbody>
</table>

Analysis
• For purposes of controlling interest, the same 5 or fewer people (2 in this case- Harry and Jane) own at least 80% (100% in this case) of two of the corporations; AND
• For purposes of the effective control test, Harry owns 40% and Jane owns 35%, which when added together is 75% (greater than 50% required).
• Therefore, A and B are part of a controlled group.
• C Corp. is not part of the controlled group with A and B because Harry is the only individual with a common interest in C Corp and the other entities and his ownership does not pass the 80% controlling interest test.
Note: There are special rules regarding ownership attribution to and from family members, different types of stock, and partnership interests, among other things that are not explained in this summary. Please consult your legal or tax advisor for more details.

AFFILIATED SERVICE GROUP ("ASG") DETERMINATION

An Affiliated Service Group is a group which includes a service organization and a recipient organization or can be comprised of a management group which consists of a recipient organization and a management organization.

Traditional/Ownership Based

A service organization has more than 50% of its income produced as a result of management services provided to another entity (a recipient organization). The services provided are those which would otherwise be performed by an employee.

The identification of an Affiliated Service Group starts with a First Service Organization (FSO). The FSO is affiliated with one or more of the following:

A-ORG: a service organization that:
• ownership: is a shareholder or partner in the FSO
• services: regularly performs services for the FSO or is regularly associated with the FSO in performing services for third parties

B-ORG: a service organization where:
• ownership: ≥ 10% of interest in B-ORG is owned by Highly Compensated Employees (HCE’s) or the FSO or of an A-ORG
• services: a significant portion of its business is for the FSO or an A-ORG of a type that historically, in the field of service, was performed by employees

Note: Ownership attribution rules must be considered
Management Function Group

Management function groups are special types of affiliated service groups. They involve a management firm and its client.

A management function group is the management firm, the client, and the organizations related to the client for which the management firm performs services. A management function group is treated like other Affiliated Service Groups.

A management firm is an organization which as its principal business performs, on a regular and continuing basis, management functions such as supervising, setting goals, or determining policies for one client and/or organizations related to that client.

The client is the organization for which the management firm performs services.

An “organization” for this purpose is any type of business, including a partnership or other unincorporated association, LLC, corporation, or sole proprietorship.